

charged for, securities awarded as a result of the submitter's bids.

(2) A submitter that is a member of a clearing corporation may instruct that delivery and payment be made through the clearing corporation for securities awarded to the submitter for its own account. To do this, the following requirements must be met prior to submitting any bids:

(i) We must have acknowledged and have on file an autocharge agreement between the clearing corporation and a depository institution. By entering into such an agreement, the clearing corporation authorizes us to provide aggregate par and price information to the depository institution whose funds account will be charged under the agreement. The clearing corporation is responsible for remitting payment for auction awards of the clearing corporation member.

(ii) We must have acknowledged and have on file a delivery and payment agreement between the submitter and the clearing corporation. By entering into such an agreement, the submitter authorizes us to provide award and payment information to the clearing corporation.

[69 FR 45202, July 28, 2004, as amended at 70 FR 57440, Sept. 30, 2005; 70 FR 71401, Nov. 29, 2005; 73 FR 14938, Mar. 20, 2008]

### Subpart C—Determination of Auction Awards; Settlement

#### § 356.20 How does the Treasury determine auction awards?

(a) *Determining the range and amount of accepted competitive bids*—(1) *Accepting bids*. First we accept in full all noncompetitive bids that were submitted by the noncompetitive bidding deadline. After the closing time for receipt of competitive bids we start accepting those at the lowest yields or discount rates through successively higher yields or discount rates, up to the amount required to meet the offering amount. When necessary, we prorate bids at the highest accepted yield or discount rate as described below. If the amount of noncompetitive bids would absorb most or all of the offering amount, we will accept competitive bids in an amount sufficient to provide a fair determination of the yield or dis-

count rate for the securities we are auctioning.

(2) *Accepting bids at the high yield or discount rate*. Generally, the total amount of bids at the highest accepted yield or discount rate exceeds the offering amount remaining after we accept the noncompetitive bids and the competitive bids at the lower yields or discount rates. In order to keep the total amount of awards as close as possible to the announced offering amount, we award a percentage of the bids at the highest accepted yield or discount rate. We derive the percentage by dividing the remaining par amount needed to fill the offering amount by the par amount of the bids at the high yield or discount rate and rounding up to the next hundredth of a whole percentage point, for example, 17.13%.

(b) *Determining the interest rate for new note and bond issues*. We set the interest rate at a  $\frac{1}{8}$  of one percent increment. If a Treasury inflation-protected securities auction results in a negative or zero yield, the interest rate will be set at zero, and successful bidders' award prices will be calculated accordingly (See appendix B to this part for formulas).

(1) *Single-price auctions*. The interest rate we establish produces the price closest to, but not above, par when evaluated at the yield of awards to successful competitive bidders.

(2) *Multiple-price auctions*. The interest rate we establish produces the price closest to, but not above, par when evaluated at the weighted-average yield of awards to successful competitive bidders.

(c) *Determining purchase prices for awarded securities*. We round price calculations to six decimal places on the basis of price per hundred, for example, 99.954321 (See appendix B to this part).

(1) *Single-price auctions*. We award securities to both noncompetitive and competitive bidders at the price equivalent to the highest accepted discount rate or yield at which bids were accepted. For inflation-protected securities, the price for awarded securities is the price equivalent to the highest accepted real yield.

(2) *Multiple-price auctions*—(i) *Competitive bids*. We award securities to competitive bidders at the price equivalent

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to each yield or discount rate at which their bids were accepted.

(ii) *Noncompetitive bids.* We award securities to noncompetitive bidders at the price equivalent to the weighted average yield or discount rate of accepted competitive bids.

[69 FR 45202, July 28, 2004, as amended at 69 FR 53621, Sept. 2, 2004]

## § 356.21 How are awards at the high yield or discount rate calculated?

(a) *Awards to submitters.* We generally prorate bids at the highest accepted yield or discount rate under § 356.20(a)(2) of this part. For example, if 80.15% is the announced percentage at the highest yield or discount rate, we award 80.15% of the amount of each bid at that yield or rate. A bid for \$100 million at the highest accepted yield or discount rate would be awarded \$80,150,000 in this example. We always make awards for at least the minimum to bid, and above that amount we make awards in the appropriate multiple to bid. For example, Treasury bills may be issued with a minimum to bid of \$100 and multiples to bid of \$100. Say we accept an \$18,000 bid at the high discount rate, and the percent awarded at the high discount rate is 88.27%. We would award \$15,900 to that bidder, which is an upward adjustment from \$15,888.60 ( $\$18,000 \times .8827$ ) to the nearest multiple of \$100. If we were to award 4.65% of bids at the highest accepted rate, for example, the award for a \$100 bid at that rate would be \$100, rather than \$4.65, in order to meet the minimum to bid for a bill issue.

(b) *Awards to customers.* The same prorating rules apply to customers as apply to submitters. Depository institutions and dealers, whether submitters or intermediaries, are responsible for prorating awards for their customers at the same percentage that we announce. For example, if 80.15% is the announced percentage at the highest yield or discount rate, then each customer bid at that yield or rate must be awarded 80.15%.

[69 FR 45202, July 28, 2004, as amended at 74 FR 26086, June 1, 2009]

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## § 356.22 Does the Treasury have any limitations on auction awards?

(a) *Awards to noncompetitive bidders.* The maximum award to any noncompetitive bidder is \$5 million. This limit does not apply to bidders bidding solely through TreasuryDirect® or Legacy Treasury Direct® reinvestment requests.

(b) *Awards to competitive bidders.* The maximum award is 35 percent of the offering amount less the bidder's net long position as reportable under § 356.13. For example, in a note auction with a \$10 billion offering amount, and therefore a maximum award of \$3.5 billion, a bidder with a reported net long position of \$1 billion could receive a maximum auction award of \$2.5 billion. When the bids and net long positions of more than one person or entity must be combined, as is the case with investment advisers and controlled accounts (See § 356.15(c).), we will use this combined amount for the purpose of this 35 percent award limit.

[69 FR 45202, July 28, 2004, as amended at 69 FR 53622, Sept. 2, 2004; 70 FR 57440, Sept. 30, 2005]

## § 356.23 How are the auction results announced?

(a) After the conclusion of the auction, we will announce the auction results through a press release that is available on our Web site at <http://www.treasurydirect.gov>.

(b) The press release will include such information as:

(1) The amounts of bids we accepted and the amount of securities we awarded;

(2) The range of accepted yields or discount rates;

(3) The proration percentage;

(4) The interest rate for a note or bond;

(5) A breakdown of the amounts of noncompetitive and competitive bids we accepted from, and awarded to, the public;

(6) The amounts of bids tendered and accepted from the Federal Reserve Banks for their own accounts;

(7) The bid-to-cover ratio; and